

FISCAL NOTE

HB 2078 - SB 2484

February 19, 2002

SUMMARY OF BILL:

- Requires the Department of Commerce and Insurance to administer a prescription drug discount program for senior citizens that are residents of Tennessee age 65 or over and pay an annual \$25 enrollment fee
- Requires pharmacies to offer drugs to program participants at a discount price based on rebates negotiated with drug companies. The department is to negotiate the rebates and reimburse pharmacies for the discount prices.
- Beginning January 1, 2003 pharmacies are prohibited from charging program participants prices higher than those listed in the federal supply schedule negotiated by the Department of Veterans Affairs plus a dispensing fee of three dollars.
- Requires all drug manufacturers that distribute drugs in Tennessee, and that have an agreement with a prescription plan that results in discounts, to enter a rebate agreement. The rebate agreement must equal the cost necessary to reimburse pharmacies and would require rebates be paid within 30 days of a request by the department.
- Creates a Senior Citizen Prescription Drug Discount Program Fund to include money appropriated to the fund, enrollment fees, and rebates paid by drug manufacturers. Authorizes use of fund proceeds for reimbursement to pharmacies for discounts and reimbursement of the department for administering the program. Prohibits fund proceeds from reverting to the General Fund.
- Requires the department to establish rules to operate the program and to report annually on the program to the General Assembly and the Governor.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$1,900,000 Recurring
\$450,000 One-Time**

Increase State Revenues - \$7,500,000

Other Fiscal Impact - The amount of rebates collected from manufacturers and the amounts remitted to pharmacies cannot be determined, but is estimated to exceed \$75,000,000.

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Estimate assumes:

- Approximately 619,000 Tennessee citizens are age 65 or older. A significant number are enrolled in TennCare or have insurance coverage for prescription medication.
- It is estimated that approximately 300,000 will enroll in the program and pay the \$25 dollar registration fee.
- Additional personnel and related expenses will be needed in the Department of Commerce and Insurance to administer the program.
- Based on average prescription usage and the average amount of rebates received in the TennCare program, the amount of rebates received and discounts reimbursed under the program is estimated to exceed \$75,000,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director